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October 3, 1962

GWB:

RE: Flags of Convenience -- Curran

A significant strand in the Kitchin proceeding is the Maritime Union's persistent efforts to require American shipowners to use American crews. Curran's testimony yesterday seeks to use the Cuban crisis to help their cause on this issue.

He argues basically that the foreign flag does not control the ships in the interests of the United States, as shown by the appearance of Panamanian, Lebanese and Liberian ships in Cuba.

Your prepared statement barely touches on this topic. I suggest that it would be worthwhile to add the substance of the following as an informal note after your prepared statement; a note responding to Curran's statement of yesterday. If you do not concur in this, then at least I think you must be prepared to say something like the following in response to questions:

* * * * *

1. Do not get involved in the manifold pros and cons of the flag of convenience issue.

2. The only point you need to make is that the State Department does not feel that the Cuban issue requires that drastic action be taken on the flag of convenience problem.

This is because:

(a) Though there have been published statements in the press of last Friday to the effect that US-owned

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or partly-owned ships of flags of convenience were engaged in the Cuban trade, so far as the Maritime Administration knows, there is only one instance of this--a single United Fruit ship that arrived in Cuba in January of 1962.

(b) Even if it were true--which it is not-- and American-owned ships were under foreign flags were calling on Cuba, this practice will be stopped by the enforcement of the new order now being promulgated by the Administration and referred to in your prepared statement--the order forbidding US flag and US-owned ships from going to Cuba.

Bayless Manning

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The National Maritime Union, whose members bore a heavy share of the sacrifices required for victory in World War II, and whose skills, dedication and sacrifice will be essential in any future conflict, regards the Soviet military buildup in Cuba as a challenge that the free world must meet.

It is for our government to determine what military, diplomatic and economic measures it will take, on its own and with its allies, to meet this challenge.

For ourselves, as free trade unionists we consider it our right and a duty, regardless of government policy, to protest by every possible means any movement of cargoes and ships which can help create a Soviet bastion on the island.

The Soviet military buildup in Cuba has raised many serious questions concerning our government's relations with nations supposedly allied with us in defense of the free world against Communist aggression. As a spokesman for a maritime union, I would like to address myself to questions which it has raised concerning our merchant marine policy.

Since World War II, our national policy has been one of downgrading the American flag merchant marine. We have a law on the books, the Merchant Marine Act of 1936, which makes it the responsibility of the government to protect and promote a merchant fleet adequate to our peacetime and wartime needs. We have enacted some legislation which was designed to implement this mandate. But in practice government agencies have sacrificed our merchant marine as a sop to foreign governments, anxious to promote their own fleets, and to American shipowners, who put profits ahead of patriotism.

As a result of government policies and lack of policies with regard to our own merchant marine, American flag ships have been carrying barely ten percent of American waterborne foreign commerce. Furthermore, the U.S. government, as a matter of policy, has actually been fostering the development

As an example, of how U.S. government agencies have been indifferent to the needs of our own merchant marine, consider the abuse of our Cargo Preference Laws by agencies as the Department of Agriculture, the State Department, the Agency for International Development, and others.

Our Cargo Preference Law is supposed to assure that American flag ships will carry fifty percent of government aid cargoes -- not of all American cargoes, just of cargoes which are generated under some Federal program. This is certainly only minimum protection. Yet, even this has been constantly nibbled at.

Time and again, when a foreign government has asked for special dispensation in favor of its own ships at the expense of our own, the U.S. department involved has gone to work to give the foreign government what it wants.

Our State Department offers a sympathetic ear and a helping hand to foreign diplomats who come here for the purpose of attacking our Cargo Preference and subsidy laws as "unfair" to their ships. Even the Defense Department has skirted the rules on use of American flag ships for its overseas shipments by arranging to take title to some important purchases in the country of destination, thus permitting the seller to use ships of any nationality to get the cargoes to the overseas ports where our Defense Department wants them.

We of the maritime unions, with the vigorous help of some members of congress, have done what we could to prevent these abuses. Sometimes we have succeeded, often we have not, but always we have had to battle our way uphill to maintain even the most elementary safeguards for the American merchant marine.

If there is any explanation for the indifference in government agencies to our own needs, it must be that they consider the building up of the merchant fleets of other nations as essential to free world defense and this must be done even if it means sinking our own merchant marine. And,

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As a result of government policies and lack of policies with regard to our own merchant marine, American flag ships have been carrying barely ten percent of American waterborne foreign commerce. Furthermore, the U.S. government, as a matter of policy, has actually been fostering the development of a mammoth fleet of American-owned ships under the flags of Liberia, Panama and Honduras.

The dangers inherent in both these developments have been forcefully demonstrated in the current Cuban situation.

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If there is any explanation for the indifference in government agencies to our own needs, it must be that they consider the building up of the merchant fleets of other nations as essential to free world defense and this must be done even if it means sinking our own merchant marine. And, unfortunately, the one agency responsible for protecting our own merchant marine, The Maritime Administration, has been weak and ineffective.

Now in the Cuban situation, most of these friendly nations whose fleets have been fattening on American foreign commerce refuse to consider the pleas of our government to keep their ships from aiding the Soviet military buildup in Cuba.

We have the absurd spectacle of ships of supposedly friendly nations running cargo into Cuba -- assisting in strengthening the island as a Soviet base -- and coming directly from the island to a U.S. port to pick up a U.S. foreign aid shipment to be delivered elsewhere.

As to the second of these developments, the encouragement given to the creation of a vast "runaway" fleet under the Liberian, Panamanian and Honduran flags, this is an even more striking example of how our national interests have been sacrificed, in this case to satisfy the greed of American shipowners.

The flags of these nations cover a fleet of some 1,500 vessels, totaling more than 20-million tons. About half of it is American-owned. American interests are involved in a far greater share of it.

A phenomenal rise in this runaway fleet began shortly after the Korean war and the nucleus on which it began this rise was made up of American ships transferred foreign with government permission. In 1955, shortly after the bars against foreign transfer of American war-built shipping were relaxed, the Government adopted what is known as the "effective control" policy. Under it a large proportion of the American-owned Liberian, Panamanian and Honduran flag ships are officially recognized as "under effective control for defense purposes". In other words, the Defense Department regards these ships -- under foreign flags, manned by foreign crews, outside the control even of the U.S. Coast Guard as far as loyalty of the crew and safety of the ship are concerned -- as part of our merchant marine. When it comes to considering whether our merchant marine is adequate for defense purposes, these ships are counted in.

The folly of this policy, and of the whole buildup of the runaway flag fleet has been made clear in the Cuban situation. Ships flying these "runaway flags" have been part of the Soviet shuttle to Cuba. Some of the ships in that traffic were built in the U.S. and were transferred out of U.S. jurisdiction to one of the "runaway" flags, although now by subsequent transfers they may be under some other registry.

American money is involved in many of these runaway flag ships.

The Liberian, Panamanian and Honduran flags have been of assistance to the Soviets in the cold war before this. When I was in Odessa, U.S.S.R., two years ago with an NMU delegation, we saw some of these ships in the harbor there. We were told that 46 of these ships had sailed into Black Sea ports within a six-month period.

The Cuban situation has made clear the dangerous folly of our maritime policies since World War II. It has made clear that the United States cannot rely on the fleets of friendly nations for the maritime strength the U.S. needs. In the same way that we cannot count on these nations to restrict their ships from assisting a military buildup 90 miles from our shores, we cannot count on these nations to make their ships available to us for what we may regard as an operation essential to our security and that of the free world.

Even clearer should be the folly of our support of the PanLibHon fleet and our recognition of a part of that fleet as under "effective control". If any of these countries goes the way of Cuba under Castro, what control can we exert over these ships? What control do we exert if the master or crew of one of these ships decides to make it available to the enemy? Far from being under anything like "effective control", the PanLibHon fleet for the most part comprises a vast "available" force, available to the highest bidder, regardless of politics or purpose.

As an immediate measure, where governments refuse to restrict the participation of their ships in Cuban traffic, our Government should completely exclude ships of those countries from carrying any of our government-generated cargoes.

The Government should also abandon the dangerous "effective control" hoax and eliminate the tax benefits, government protection and the other inducements which great American corporations now have for operating ships under Panamanian, Liberian and Honduran flags.

We should immediately and completely halt the transfer of American-built ships to foreign registries. Regardless of any paper "controls" put on them, these ships are available for hostile use.

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American money is involved in many of these runaway flag ships. Since the financial makeup of a ship is generally a tangled and slippery web, it would require the resources and powers of a congressional committee to determine the identity and extent of these interests. Many of the ships running into Cuba have only recently been transferred from Liberian to Greek, Lebanese and other flags.

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We should immediately and completely halt the transfer of American-built ships to foreign registries. Regardless of any paper "controls" put on them, these ships are available for hostile use, either directly or by relieving other tonnage for use against us.

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Our cargo preference laws should be strengthened, expanded and effectively administered in order to assure American ships of a fair share of American cargoes. We must stop the sacrifice of our own national interests in order to please countries which are out to take everything they can from us in this field.

The time is long past due for the United States to build a merchant marine which befits its position of world leadership and its world-wide responsibilities. It is unfortunate that it took something like the building of a Soviet arsenal in Cuba to make the nation see the need.

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